

Subject: Decision regarding commencement to the process of internal reorganization of the capital group of Pfeiderer Grajewo S.A. in Poland

RB 36/2016

The Management Board of Pfeiderer Grajewo S.A. (the “**Company**”) hereby informs that today it has made a decision regarding commencement and making basic assumptions of the previously announced internal reorganization of the capital group of Pfeiderer Grajewo S.A. in Poland (the “**Reorganization**”) (the “**Group**”), for the conduction of which, it has obtained today a consent of the Company’s Supervisory Board. The planned process is the implementation of the previously announced by the Company organizational and operational integration of Core East and Core West in order to continue building multi-level cooperation within the Group to unlock the potential for further synergies from joint operations.

The main purpose of conducting the Reorganization is reorganization of the ownership and organizational structure of the companies from the Group through, *inter alia*, transfer of selected functions and processes between the companies from the Group, in order to simplify the ownership and organizational structure of the Group and increase its operational effectiveness, with maintaining tax neutrality of the whole process.

The Reorganization provides for achieving of a three layer organizational structure of the Group in Poland where: (i) the Company will be a holding company, maintaining the position of the ultimate dominant entity of the entire Group; (ii) The Company’ subsidiary, i.e. Pfeiderer Polska sp. z o.o. (currently operating as Pfeiderer Services sp. z o.o., “**PPL**”), will conduct sale, purchase and administration activity for and on behalf of the remaining Group companies; (iii) remaining Group companies, whose shares will be held by PPL will conduct (as a rule) production activity only.

The Reorganization may result in the cost optimization of the Group and, by the closer integration of the companies within the Group, may enable to increase the competitiveness of products offered by the Group. In particular, centralization of the operational and sale activity in PPL may, in the opinion of the Management Board, increase the effectiveness in this respect. Furthermore, the Reorganization will lead to further development of the Group within both aligned and simplified, and in consequence, more effective ownership and organizational structure.

Within the Reorganization, it is contemplated to conduct *inter alia* the following actions:

- 1) transfer, in a form of the contribution in-kind, of the Company’s enterprise, covering the production and sale / shared services functions (the “**Operational Activity**”) to Pfeiderer Grajewo sp. z o.o. with its registered seat in Grajewo (“**PGPL**”), where the Company is the sole shareholder, in exchange for the newly issued shares in PGPL;
- 2) division through separation (in Polish: *podział przez wydzielenie*) in the meaning of Article 529 § 1 item 4 of the Act of 15 September 2000 - Polish Commercial Companies Code of the following Company’s Polish subsidiaries: Pfeiderer Prospan S.A. (“**PWPL**”), Pfeiderer MDF sp. z o.o. (“**PMDF**”), PGPL and potentially Silekol sp. z o.o. (“**PSIL**”), through transfer from the companies under division to PPL, in a form of organized parts of enterprises, the assets relating to the marketing, sale and distribution of manufactured products, as well as ancillary activity, e.g. in the scope of logistic, supplies, accounting/finance, HR, IT, administration, quality assurance, integrated planning, controlling, customer service, safety and

environmental protection and product development ("**Sale Activity / Shared Services**"), in exchange for the newly created shares in PPL, which will be subscribed for by the Company;

- 3) transfer in a form of the contribution in-kind of the shares in Polish subsidiaries, i.e. PWPL, PGPL, PMDF, PSIL and Jura Polska sp. z o.o. to PPL, in exchange for the newly created shares in PPL, which will be subscribed for by the Company;
- 4) transformation of PWPL into a limited liability company (in Polish: *spółka z ograniczoną odpowiedzialnością*) and change of its business name from Pfeiderer Prospan S.A. to Pfeiderer Wieruszów sp. z o.o.;
- 5) change of the registered seats of the Company and PPL from Grajewo to Wrocław;
- 6) change of the business names of (i) the Company from Pfeiderer Grajewo S.A. to Pfeiderer Group S.A.; (ii) PPL from Pfeiderer Services sp. z o.o. to Pfeiderer Polska sp. z o.o.; (iii) PSIL from Silekol sp. z o.o. to Pfeiderer Silekol sp. z o.o.; and (iv) PMDF from Pfeiderer MDF sp. z o.o. to Pfeiderer MDF Grajewo sp. z o.o.

The final decision as to the timeframe of the division through separation of PSIL, i.e. decision whether such division will take place simultaneously with divisions of the remaining production companies or later on, will be taken by the Management Board following receipt of the final information as to the technical capabilities of adjusting the Group's IT systems to the results of such transaction.

It is Management Board's intention to complete the process of the Reorganization in Q2 2017, taking into account that: (i) transfer, in a form of the contribution in-kind, of the Company's enterprise to PGPL is intended to be completed in the period July – August 2016; (ii) division through separation of production companies and transfer in a form of the contribution in-kind of the shares in Polish subsidiaries of the Company to PPL (subject to above mentioned notices regarding PSIL) is intended to be completed at the turn of 2016 and 2017; and (iii) transformation of PWPL into a limited liability company is intended to be completed in the period April – May 2017.

Detailed terms of the above reorganizational actions will be determined in separate documents, including, in particular, agreements, resolutions of relevant corporate authorities of the companies from the Group, divisions' plans and transformation plan, the drafts of which will be approved by the Management Board and management boards of companies participating in the Reorganization and, if required under the binding provisions of law or corporate documents of the Company, also by the Company' Supervisory Board. In particular, granting a consent to transfer Company's enterprise in a form of Operational Activity, will be subject of a resolution of the General Shareholders Meeting of the Company.

This report was prepared pursuant to Article 56 Section 1 Item 1 of the Act on Public Offer and the Conditions for Introducing Financial Instruments to the Organized Trading System and Public Companies dated 29 July 2005 (consolidated text: Journal of Laws 2013, Item 1382, as amended).

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